

**Agenda Bill 2020-XX-XX-XX**

Date Prepared: July 16, 2020

For Meeting Date: July 20, 2020 Special Meeting

To: Russ Axelrod, Mayor  
West Linn City Council

From: John R. Williams, Interim City Manager *JRW*

Subject: Replacement Letter of Commitment/Lease Agreement re: Historic City Hall

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**Purpose**

Council consideration of a new Letter of Commitment (“LOC”) and future Lease Agreement with Willamette Falls & Landings Heritage Area Coalition (“Coalition”) regarding the Historic City Hall Building at 22825 Willamette Drive.

**Question(s) for Council:**

Does the Council wish to proceed towards signing a new LOC, Lease Agreement, and prospective Parking Agreement to continue development of this project? If so, are any changes desired?

**Public Hearing Required:**

None required.

**Background & Discussion:**

On December 10, 2018 the West Linn City Council adopted a Letter of Intent that established a partnership with a group of non-profits led by the Coalition to develop an Arts, Heritage and Tourism Cultural Center (“Cultural Center”) in the Historic City Hall building. Also, on December 3, 2018, Council agreed to reserve \$400,000 of General Obligation Bond revenues for potential improvements to the building pending further investigations into building needs and partnership structure.

The Letter of Intent outlined a two-step process lasting approximately six months in which the City and the Coalition first were to cooperate in a Due Diligence process investigating joint development of the Cultural Center and, second, based upon the results of that investigation, consider whether to commit to a development project through a letter of commitment.

Following that, the Coalition led the due diligence investigation and completed an inventory of estimated costs to develop the Cultural Center. The Coalition also identified grant sources that could reasonably be expected to meet project needs. Based on all of this work, the City Council approved a Letter of Commitment and Lease Agreement in June 2019 that committed the \$400,000 in City General Obligation Bond funding to the project and relied on the Coalition’s grant applications to complete the full project needs. The LOC was a legally binding agreement between the City and Coalition laying out each party’s roles and responsibilities moving forward.

The June 2019 LOC committed the City and Coalition to continuing the process to secure funding for needed capital improvements to the building and described the roles and responsibilities of each party

in performing the improvements. It also included a ten-year Lease Agreement (with two potential five-year renewals) that would govern ongoing operations of the Cultural Center.

Unfortunately, over the course of 2019 the Coalition was not successful in securing enough grant funding to complete the project. On February 10, 2020, the City Council approved the provisional allocation of \$1,285,000 in GO Bond funding, enough money when combined with grants that had been received to complete the full set of improvements to the building. The Council's allocation was contingent on development of an updated Letter of Commitment and Lease Agreement, as well as on the securing of a formal parking agreement with the Willamette Falls Paper Company and their property owner. The purpose of the July 20 agenda item is to present information on these items to allow the Council to move forward.

Neither the Coalition or the Council have requested any major changes to the relationships proposed in the June 2019 LOC and Lease Agreement, so the basic structure of the agreements is similar (for a detailed description of those agreements, see the [staff report for the City Council's June 10, 2019 meeting](#)). Many of the changes proposed therefore are simply changing dates, updating the Coalition's name, and reflecting the new funding split.

The two more substantive changes are:

- Project phasing and costs. Previously this project was divided into two phases, with the first phase resulting in a "useable and attractive Cultural Center" and an unfunded Phase 2 making the building fully "historically resonant" and functional. The City Council's 2020 funding allocation, when combined with grant funds that were obtained, will allow both phases to be completed at once. The funding needs are listed in Exhibit B (still in 2019 dollars).
- Parking agreement. Coalition staff have obtained agreement from the Willamette Falls Paper Company and the underlying property owner, Stern Partners, for use of 30 parking spaces in the parking lot adjacent to the building. The charge for these spaces would be \$60/month each, or \$21,600/year, starting at building occupancy. The Paper Company currently has the authority to sign this lease. However, should they cease having authority over usage of the property, Stern Partners has guaranteed an additional 10 years minimum use of the spaces. As currently proposed, the City would be responsible for payment of the \$21,600 and would be permitted to earn back funds through paid parking (metered/permit) on the site. That is, visitors to the Cultural Center and surrounding attractions would pay to park (both in the parking lot and on Mill Street) and the City would use that revenue to pay the Paper Company/Stern for the parking area. It is not known whether such revenues would fully compensate the City for the lease. *For reference only: the City would break even on this (not including the cost to develop, install, and enforce a parking program) if twelve \$5 parking passes were bought per day, 365 days a year (= \$21,900).* If acceptable to the City Council, all of this would be formalized in a written, legally binding agreement prior to signing of the LOC.

Proposed changes are presented in ~~redline strikeouts~~ (for deletions) and underlines (for additions) for clarity but the documents would be adopted entirely anew, replacing the old versions, if approved by the Council and Coalition. The proposed documents are acceptable to the Coalition as presented to Council.

**Budget Impact:**

The proposed LOC implements Council's February 2020 decision to spend up to \$1,285,000 of General Obligation Bond revenues for capital improvements to the Historic City Hall. In addition, the Lease Agreement, previously approved by Council in June 2019, commits the City to paying most utility costs, plus ongoing maintenance and capital expenses related to the Historic City Hall building. The last year this building was occupied (2013 as the Police Department) these costs were approximately \$24,000 per year. Costs are currently perhaps a third of that with the building unoccupied, so this represents about \$16,000 per year additional financial impact which is not currently budgeted. The proposed parking agreement, discussed above, could mean an additional \$21,600 maximum in annual costs once occupancy begins, potentially less depending on the Council's appetite to charge for parking and on the public's appetite for using paid parking.

However, the Council's adopted goal is to have the building occupied and used for the public good, not vacant, dark, and decaying. The current proposal appears to be the best option to achieve this goal.

**Sustainability Impact:**

Adaptive reuse of this historic building will have many sustainability/environmental benefits in terms of both the building itself and developing its location as a local center of culture and tourism. The proposed capital improvements will eliminate hazardous asbestos from the facility and reduce the building's environmental footprint via new insulation, roofing, HVAC, lighting, etc. that have positive climate impacts and will reduce our ongoing costs significantly.

**Diversity, Equity, and Inclusion Impact:**

The Coalition intends to continue their partnership with Native American tribes to ensure they are a key part of this center and that their stories are told, which would be a major development for West Linn and the broader area. In addition, the City Council has recently begun discussions about building bridges to communities of color. Staff believes there could be an opportunity to use the Cultural Center as a home for future activities in this realm.

**Council Goal/Priority:**

This project is included as an action item under the City Council's adopted 2019 Council Goals (Guiding Principle #2A(7)): "Pursue redevelopment of Old City Hall property as a Cultural/Tourism Center with the Willamette Falls Heritage Area Coalition and other non-profits."

**Council Options:**

Council may wish to change or discuss certain terms of the proposed agreement. Staff and Coalition representatives will be present at the July 20 meeting to answer any questions about the draft and to support Council conversation.

**Staff Recommendation:**

Staff recommends moving towards approval of the proposed Letter of Commitment because it is in keeping with the Council's 2018 decision on a Letter of Intent, June 2019 decision on a first Letter of Commitment, February 2020 tentative GO Bond funding allocation, and Council Goals. The proposed motion would direct staff and Coalition to finalize all documents, including a parking agreement, for Council final decision. We hope this would be at the first business meeting in September.

**Potential Motion:**

“I move Council direct staff to develop a final draft Letter of Commitment from the City of West Linn to the Willamette Falls Heritage Area Coalition regarding the Historic City Hall Building at 22825 Willamette Drive, including all attachments, and a formal parking agreement, for review and decision by the City Council.”

**Attachments:**

1. Draft Letter of Commitment between City and Coalition, which includes the following exhibits:
  - a. Exhibit A – Construction Elements
  - b. Exhibit B – Project Cost Estimates
  - c. Exhibit C – Lease Agreement
  - d. Exhibit D – Proposed Funding Plan

For additional information and earlier documents, including the 2018 Letter of Intent, please **revisit the June 10, 2019 Council packet.**